

## LJM2 APPROVAL SHEET

Approval Sheet should be used to approve Enron's participation in any transactions involving LJM Cayman, L.P. ("LJM1") or LJM2 Co-Investment, L.P. ("LJM2"). LJM1 and LJM2 will collectively be referred to as "LJM". This Approval Sheet is in addition to (not in lieu of) any other Enron approvals that may be required.

### GENERAL

Deal name: Fishtail

Date Approval Sheet completed: December 18, 2000

Enron person completing this form: Nicole Alvino

Expected closing date: December 19, 2000

Business Unit: Enron Corp.

Business Unit Originator: Barry Schnapper

This transaction relates to ☐ LJM1 and/or ☒ LJM2.

This transaction is ☐ a sale by Enron ☐ a purchase by Enron ☐ a co-sale with Enron ☐ a co-purchase with Enron and/or

☒ Other: formation of a Joint Venture (Fishtail).

Person(s) negotiating for Enron: Barry Schnapper

Person(s) negotiating for LJM: Michael Hinds

Legal counsel for Enron: Vinson & Elkins

Legal counsel for LJM: Kirkland & Ellis

### DEAL DESCRIPTION

Fishtail LLC is an off-balance sheet partnership formed by a conveyance of the economic benefits associated with the Pulp and Paper Business by ENA, and a \$50MM commitment by Annapurna LLC, a special purpose entity. Annapurna is capitalized with \$8MM equity from LJM and a \$42MM revolver from Chase which matures on June 30, 2001. In exchange for its conveyance, ENA receives a Class A and Class C interest. The Class A is the managing member interest, and the Class C represents 79.99% economics. Annapurna, with LJM as its managing member, receives 20% of the economics and the right to remove Enron as the managing member without cause.

### TRANSACTION SUMMARY

LJM2 will set up a wholly owned, bankruptcy remote entity, LJM2 - Ampato LLC. LJM2 - Ampato LLC will purchase 100% of the equity of Annapurna for \$8 million. Enron will set up Fishtail LLC with Class A, B and C interests. The Class A interest is the managing member interest. The Class B interest receives:

- Libor + 7% on its entire commitment (\$50 million)
- 20% ownership of the Business,
- at any time, the ability to appoint, without cause, two members to a 4 member board of directors which will control Fishtail,
- after six months, the ability to sell all of the vehicle's interests, including the Class A and C interests,
- consent rights for any refinancing of Fishtail's interests.

The Class C interest will receive all cash flows after expenses of Fishtail, tax distributions for any unrealized income allocated to Annapurna, Annapurna's preferred return of Libor + 7% and any capital contribution above the initial \$8 million.

Enron will convey and transfer the Business to Fishtail for a term of five years. With LJM2's equity and Chase's commitment, Annapurna will contribute \$8 million and make a \$42 million capital commitment to Fishtail.

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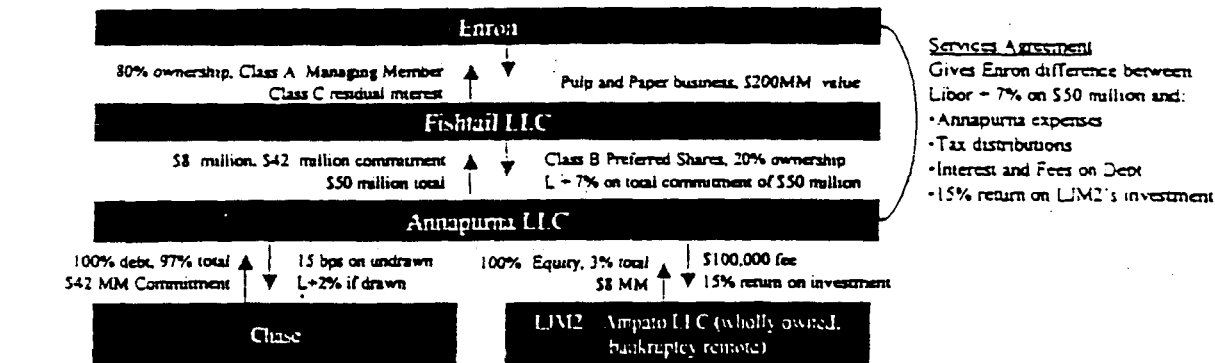
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Annapurna will enter into a services agreement with Enron that effectively sweeps the excess of any allocation from Fishtail to Annapurna over the amount necessary to satisfy Annapurna's expenses, tax distributions for any unrealized income allocated to Annapurna, Chase's commitment fee or yield on debt and LJM2's 15% return.



## ECONOMICS

Annapurna receives a preferred distribution equal to L+7% annually on its \$50MM commitment. As the administrative services agent for Annapurna, ENA can sweep any cash in excess LJM's agreed upon return and Chase's revolver fees. The first \$200MM of net realized losses from the Pulp and Paper business is allocated to ENA, and then to Annapurna until its capital account is extinguished.

## ISSUES CHECKLIST

1. Sale Options
  - a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:
    - ☐ Condor ☐ JEDI II ☐ Third Party ☐ Direct Sale. Please explain: Not a sale of an asset by Enron
  - b. Will this transaction be the most beneficial alternative to Enron? ☒ Yes ☐ No. If no, please explain: \_\_\_\_\_
  - c. Were any other bids/offers received in connection with this transaction? ☐ Yes ☒ No. Please explain: Structured deconsolidation transaction
2. Prior Obligations
  - a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? ☐ Yes ☒ No. If yes, please explain how this issue was resolved: \_\_\_\_\_
  - b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? ☐ Yes ☒ No. If yes, please explain: \_\_\_\_\_
3. Terms of Transaction
  - a. What are the benefits (financial and otherwise) to Enron in this transaction? ☐ Cash flow ☐ Earnings ☒ Other: Provide potential liquidity for a commodity risk management business.
  - b. Was this transaction done strictly on an arm's-length basis? ☒ Yes ☐ No. If no, please explain: \_\_\_\_\_


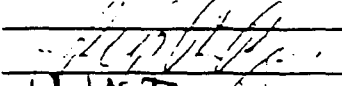
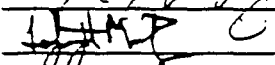
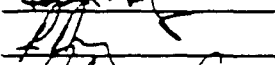
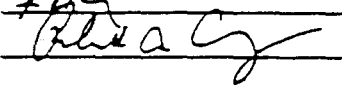
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- c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron?  
☐ Yes ☒ No. If yes, please explain: \_\_\_\_\_
- d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? ☐ Yes ☒ No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? ☒ Yes ☐ No.
4. Compliance
- a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? ☒ Yes ☐ No.
- b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee?  
☐ Yes ☒ No.
- c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? ☒ Yes ☐ No. If no, please explain:  
\_\_\_\_\_
- d. Was this transaction reviewed and approved by Enron's Chief Accounting Officer? ☒ Yes ☐ No.
- e. Was this transaction reviewed and approved by Enron's Chief Risk Officer? ☒ Yes ☐ No.
- f. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? ☒ Yes ☐ No. Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? ☒ Yes ☐ No.

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APPROVALS	Name	Signature	Date
Business Unit	Ben Glisan		1-25-01
Business Unit Legal			
Enron Corp. Legal	Rex Rogers		2-27-01
Global Finance Legal	Jordan Mintz		1-25-01
RAC	Rick Buy		2-5-2001
Accounting	Rick Causey <i>RF</i>		
Executive	Jeff Skilling		

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